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SUGGESTED MATERIALS
FOR USE IN CONDUCTING A
FARM INVENTORY CAMPAIGN

1936

Prepared by

JAMES L. ROBINSON

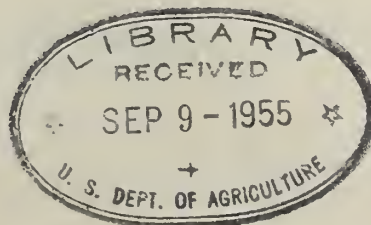
FARM CREDIT ADMINISTRATION

and

L. M. Vaughan

AGRICULTURAL ECONOMICS SECTION
DIVISION OF COOPERATIVE EXTENSION
UNITED STATES DEPARTMENT OF AGRICULTURE

For Adaptation By The
STATE EXTENSION SERVICES
For Use in Each State
In Connection With
A FARM RECORD PROGRAM



Washington, D. C.

November, 1935


RECENT DEVELOPMENTS MAKE INVENTORIES MORE IMPORTANT

It has always been good business practice for a farmer to take an annual inventory and keep some additional records. Many farmers have been doing this for years. Better farm business management, financial conditions, and changes in the organizations furnishing credit, have greatly increased the use of farm inventories until the need for them has become almost imperative.

Farm credit was severely restricted during the depression by the closing of more than 40 percent of the banks in rural areas during 1920-1933. To assure a permanent source of sound credit for farm operations, a system of production credit associations was organized in farming communities throughout the United States. It is very essential for these associations to require credit statements from farmer borrowers. This information is indispensable to loan committees passing on applications of farmers with whom they are not intimately acquainted. The Federal intermediate credit bank also depends on this statement in rediscounting the loan with funds obtained from the investing public. Production credit associations are co-operative organizations and each member has a right to know that the loans granted to other members are sound.

The laws which have been enacted providing a permanent and complete system of farm credit give expression to the feeling that the welfare of farm people is of vital concern to the entire population. They make it possible for agriculture to reach the money markets of the country so that farmers may obtain loans on terms comparable with other lines of business. These and other laws recognize that farm people are entitled to a proportionate and measurable share of the national income. They are intended to insure an equality of opportunity for agriculture. To get the best results from these laws requires a large foundation of facts and information. Most of such data must be obtained directly or indirectly from records kept by farmers. Such information will not only be an aid in obtaining the benefits intended in the laws, but will help in showing people in other industries the justice of the claims of agriculture.

Farmers have submitted approximately 1,500,000 financial statements to institutions under the Farm Credit Administration since it was organized in May 1933. To require such statements will be its continuing policy, and should encourage many farmers to keep records, -- for their own benefit, and for the benefit of the farming industry as a whole. There is no better time to take these inventories than during Farm Inventory Week.



W. I. Myers

Governor - Farm Credit Administration

FARM-INVENTORY WEEK

The place of an inventory week in a farm-record program is becoming increasingly important. The relationship of inventories to receipts and expenses during the year is better understood by farmers than formerly. Bankers are turning their attention to rates of production and probable farm income in addition to assets and liabilities. More credit agencies are requiring written evidence as a basis for their loans. These facts call for a greatly expanded educational service to farmers on inventories, credit statements, and other farm-income, expense, and production records.

The farm-inventory phase of this work is particularly suited to the campaign method.

1. It needs to be done only once a year.
2. It takes only a short time for completion.
3. It coincides with the annual practices of other business concerns.
4. It is to the mutual advantage of many groups who can be brought together in a united effort for a common aim.
5. It is the initial step in farm accounting, and therefore encourages the keeping of additional records throughout the year.

For these reasons the Agricultural Economics Section of the Division of Cooperative Extension, United States Department of Agriculture, with the cooperation of the Farm Credit Administration and the Agricultural Commission of the American Bankers' Association, plans to designate the week of January 6-11 as National Farm-Inventory Week in 1936. This pamphlet has been prepared to bring together material and suggestions, which will aid a State in organizing and conducting an inventory campaign as a part of their farm-record program. Each State would make its own plans, however, deciding whether such a campaign was justified, and, if so, when it might be conducted. It would be desirable to arrange for a State campaign during National Farm-Inventory Week, but this is not necessary, if some other time more logically fits into the State extension program as a whole.

National Assistance Available for the Campaign

1. Farm Record Book (A.A.A. 270 revised September 1934). Available from county agricultural agent.
2. Printed insert, "How Much Are You Worth?", prepared by Farm Credit Administration. Available from Farm Credit Administration.
3. Special emphasis by the Farm Credit Administration through their own organization and also by the American Bankers' Association and the Extension Service in their monthly publications.
4. National Farm and Home Hour. During Farm-Inventory Week a part of the program will be devoted to this campaign.

CAMPAIGN METHODS

The usual methods of contact are personal discussion, public meetings, and radio; letters, including circulars, inserts, and slogans on stationery; articles and news items for the press; exhibits, posters, and advertisements.

Meetings

Meetings called for other purposes can be used to present the inventory campaign in a general way. Special meetings of organizations and committees of course are necessary in each county to set up the local campaign. Special barn meetings at which inventories are actually taken offer an opportunity for intensive instruction in the value of inventories, and training in taking them.

Personal Contact

Personal contact requires more time than other methods but is usually the most effective, especially if the person doing the contacting is capable and informed. Those doing the work may be assigned a list of persons to see, as in community-chest drives. It has been suggested that each bank get 6 to 10 farmers to take an inventory and perhaps to start a farm record. The contest plan can be used to good effect - for example, a contest between several Future Farmers' clubs in the same county to get the greater number of inventories taken, or the organization of competing teams within any cooperating group.

Letters and Circulars

Use of the regular mail offers an excellent opportunity for "putting across" an idea by enclosing circulars and inserts on the subject. Suggestive slogans appear later in this pamphlet, any one of which might be printed directly on stationery, or on small stickers to be pasted on stationery. Special cartoon letters may be used.

Articles and News Items

Pages 7 through 11 contain considerable material selected for the ready use of extension workers for news articles and radio broadcasts. Such material, when localized, is very effective.

Exhibits, Posters, and Advertisements

Displays in newspapers, in public buildings, and on the street are all good methods of reaching farmers, who will sooner or later be attracted by one or all of these reminders.

SUMMARY OF CAMPAIGN PROCEDURE

It may be helpful to summarize briefly some of the more important jobs to be done in an inventory campaign. The time when the work is started will largely determine how many of these things can be done. Where time and personnel are limited, concentration on a few of the most effective means would be well worth while and would greatly stimulate interest in the keeping of records throughout the year.

1. By the State extension office
 - a. Provide inventory forms, or record books containing forms.
 - b. Provide posters (where possible).
 - c. Provide fill-in news stories, and in some instances cartoon letters for county agents.
 - d. Use inserts in all mail.
 - e. Arrange with State offices of vocational agriculture, grange, farm bureau, farmers' union, State bankers' association, and others for their cooperation.
 - f. Prepare news stories for the State press.
 - g. Prepare a series of radio talks.
2. By the county agent's office
 - a. Prepare one or more stories for daily press.
 - b. Prepare or adapt a series of local news stories for county papers.
 - c. Send cartoon letter to farmers.
 - d. Use inserts in all mail.
 - e. Have posters displayed.
 - f. Arrange for distribution of inventory forms, or record books.
 - g. Arrange for cooperation of as many agencies as possible, and hold a planning meeting.
 - h. Arrange to get newspaper statements, and get slogans used as locals.
 - i. Hold a special series of barn meetings demonstrating the taking of an inventory.
3. By the Department of Vocational Agriculture and Future Farmers' Chapters
 - a. Have program of Future Farmers' chapter on farm inventories.
 - b. Devote some of the adult class or club discussions to farm inventories.
 - c. Arrange for Future Farmers' chapters to hold a contest in getting inventories taken.
 - d. Aid in distributing inventory forms, displaying posters, etc.
4. By the bankers, production credit associations, merchants, and farmer organizations.
 - a. Aid in distributing inventory forms, displaying posters, etc.
 - b. Use inserts in all mail.
 - c. Discuss with individual farmers.

SCHEDULE OF FARM INVENTORY AND CREDIT STATEMENT CAMPAIGN
(As Conducted by Extension Service,
New York State College of Agriculture)*

Letters

1. Sample of inventory book and personal letter about supplying it to all banks cooperating last year.
2. Letter to key bankers concerning farm-inventory posters.
3. Circular letter and sample of new inventory book to all other banks.
4. Letters to all county agents asking for addresses of banks, granges, and milk plants for distribution of posters.
5. Personal letters to agricultural high-school teachers with special instruction for giving special work on inventories during Inventory Week.
6. Letters to presidents of all Young Farmers' clubs with instruction and program for special meeting during Inventory Week.
7. Personal letters and inventory books to all Cornell alumni farming in State.
8. Circular letter to all grange lecturers in State with material for discussion on inventory and credit statement at last meeting in December.
9. Follow-up letters to bankers.
10. Follow-up personal letters to county agents.
11. Follow-up letters to agricultural high-school teachers.
12. Follow-up letters to presidents of Young Farmers' Clubs.

Articles

1. December issue of Farm Bureau News, a special inventory and credit statement issue.
2. Feature article and editorial in Dairymen's League News of first week in January.
3. Feature article and editorial in American Agriculturist of first week in January.

* Similar campaign programs are in use in several other States.

4. Special article in December Bureau Farmer.
5. Articles in December issue of Farm Economics and Market Basket.
6. Special articles to county agents for release to local papers.
7. Article and editorial in Cornell Countryman.
8. Announcement to press of adoption of credit statement by State Bankers' Association.
9. Announcement to press of farm-inventory campaign.
10. Special articles to press during Farm Inventory Week.
11. Articles to Feed Merchants' Bulletin.

Exhibits and Posters

1. Folding-cabinet exhibits lent to country banks.
2. Farm-inventory posters for every bank, grange hall, milk plant, and agricultural high-school department in the State.

Inventory and Credit Statement Books

1. Supply in every farm-bureau office.
2. Twenty-five copies sent to all banks cooperating last year.
3. Sample copies sent to all other banks.
4. Supply furnished all Young Farmers' Clubs in State.
5. Supply to all agricultural high-school departments.

Radio

1. Talks broadcast from College Station, WEAI, at noon during Farm Inventory Week.
2. Farm-inventory talks broadcast from New York, Canton, Rochester, Schenectady, and Buffalo on the same night.

HELPFUL SUGGESTIONS ON TAKING AND USING AN INVENTORY

When To Take An Inventory

For most farms the best time to take an inventory is January 1. This coincides with the calendar year and makes it more desirable for sales-tax or income-tax purposes. Some may wish to take their inventory when crops and supplies are at their lowest point. For general crop and stock farms, this means some time between January 1 and spring's work. For a strictly poultry farm probably the best time is just after the pullets are put into winter quarters. For corn-hog contract signers an inventory is required on December 1.

The starting time will vary considerably between the different types of farming and the different sections of the United States. A standardization on one date for the region would make such records of more value to those agencies wishing to collect information from them. The important thing, however, is to take the inventory, and at approximately the same time each year.

Determining Values

The old bugbear of not knowing how much things are worth has been overcome by thousands of practical farmers who have taken their inventories by simply using their best judgment as to what an animal or article would bring at a well-attended farm auction. The merchant in town does not know any more about what he can get for some of the slightly worn goods on his shelf than the farmer does about the value of his second-hand mowing machine. However, the merchant estimates what he thinks he could get for the articles in his store if he had a reasonable length of time in which to dispose of them. Similarly, a farmer in setting values on stock and tools can estimate what he thinks it would cost him to buy something just as good at a well-attended farm auction.

There is no fixed rate of depreciation on farm machinery, but every added year of age means one year less of use. Depreciation is much higher on new inventions than on standard pieces of farm equipment. The more complicated farm machines, such as tractors and harvesters, usually depreciate much faster than do the more simple pieces, such as wagons and plows. The heaviest depreciation normally occurs during the first years of use. Farm accounts show a depreciation on mixed lots of farm equipment, some old, some new, of about 10 percent from the previous year's value.

An Inventory Book Makes It Easy

While there are only three things necessary for taking a farm inventory - paper, pencil, and the inclination - a fourth one will help to do the job in good shape. This is a copy of an inventory or farm record book. Ask your county agricultural agent for one.

Using AAA Record Book

The general inventories in this book are on pages 3, 4, and 5 and the livestock inventories on pages 6, 8, 10, and 12. Farmers should go through the book carefully listing all the important items owned under each heading and recording the value. In taking the inventory of crops, seed, feed, machinery, equipment, and supplies, it is desirable to walk around the farm buildings making a list of the items and taking down measurements. This will avoid omissions and make the inventory more accurate.

Any further instructions in regard to what items should go in each section of the inventory are of such a nature as to require special State adaptation. Some States may wish to specifically request that (on page 4) irrigated land be listed and valued separately from dry land, or that houses be valued independent of other buildings. An itemized list (mimeograph form) of the commonly used machinery and equipment, and suggestions as to supplies that might be on hand would aid considerably in taking the inventory on page 5.

Making a Credit Statement

After the inventory is taken each section should be totaled and a summary made in the back of the book. It is an excellent idea to file such statements with your credit agencies regularly, in order that they may know exactly what your financial situation is. Forms may be obtained from local banks, production-credit associations, or your county agricultural agent.

In figuring the operator's net worth, there should be added to the farm property any notes or accounts receivable and other property of value. The extent to which one wishes to go in listing the value of other property will vary. Some may desire to include household goods, insurance, etc., while others may prefer to leave out all items of a personal nature. The liabilities should include all mortgages on the farm, chattels or crops, as well as notes, feed and seed bills, etc. All liabilities whether of a farm or personal nature should be included.

Analyzing a Credit Statement

Two comparisons of assets and liabilities are very significant from a credit standpoint. One is the "net worth", which is the assets minus liabilities. This is the amount of capital owned by the operator, and is the margin of safety for the creditor. The other comparison is the net worth divided by the assets which is usually expressed as "percent equity." For land-mortgage credit, loaning agencies have usually asked 50 percent equity. A gain in either net worth or equity without loss in the other is of special significance as a measure of financial progress.

If the assets that can be disposed of, without interference with the continued efficient operation of the farm, plus the expected cash income from current production are compared with the short-term debts outstanding plus the needed operating credit, the ratio obtained is significant in short-term credit, for it indicates the ability to pay out of income.

MATERIAL FOR USE IN NEWS SERVICE, RADIO TALKS, SLOGANS, POSTERS

WHY TAKE A FARM INVENTORY?

There are five very good reasons for taking an annual inventory.

Know What You Are Worth - Take an Inventory

The first reason is that it will show you your net worth above all debts. It is human nature for anyone to judge his financial condition by the amount of money he has in his pocket or in the bank. At the end of the year you may feel discouraged because you have little cash on hand. An inventory might show that because of the purchase of stock and machinery or because of salable crops on hand, you are really worth considerably more than you had supposed. In a similar way, if you had sold a considerable amount of stock and accumulated some extra cash, you might feel that you are pretty well fixed, when in reality you are being fooled by the amount of actual cash on hand.

An Inventory Tells the Story

The second reason for taking an annual inventory is that two inventories taken a year apart will show you whether or not you are getting ahead financially, and how much. As a matter of fact, a farm business that is not checked up by some such method is like a clock without hands - you can't tell whether it is gaining or losing, or even how it stands at any one time.

The Banker Knows What You Owe, but Not Always What You Own

The third reason is that an inventory makes a basis for preparing a credit statement to use in getting bank credit. A farmer's credit statement is simply a summary of his inventory with such other information as insurance on buildings, assessed value of property, and life insurance. Sound business requires the farmer to use credit from specialized agencies, many of which are requiring financial statements.

Back Up Your Insurance with an Inventory

The fourth reason for taking a farm inventory is that it will provide a valuable list of property for use in case of fire or in settling an estate. No one expects that his buildings will burn or that there may be occasion to settle his estate, but both the "red" and the "black" riders strike without warning. Every farmer owes it to himself and his family to have on hand a list of what he owns and what he owes. The insurance adjuster has more confidence in an inventory list than in the farmer's memory, and the executor can use only the list.

Inventory Your Supplies - Budget Your Needs

The fifth reason for taking an inventory is that it is one of the bases for the year's financial plans. In making out his lists, the farmer notes needed repairs, parts, and replacements for tools and equipment. He checks shortages and surpluses of feed, seed, and supplies that should be bought or sold. He reviews debts owed by and to him. All this information is necessary in planning the year's financial budget, and should have an influence in determining the farm operations for the coming year.

BETTER CREDIT RATING

Farm Your Farm in a Business Way

This is an age of specialization. The bank specializes in credit and the feed store in feed. Buy from those best equipped to serve you.

Pay Cash and Get the Discount

There is no type of farming that does not call for credit in some form. Every time a farmer, for example, asks a feed or fertilizer dealer for time or merely a charge account, he is asking him for credit. This form of credit is the most expensive kind, for the dealer is equipped primarily to handle supplies. Credit from merchants and dealers frequently costs from two to three times as much as bank credit.

Credit agencies cannot advertise to furnish unlimited credit. There are many farmers, however, using store credit whose financial condition is such that banks would be glad to lend them money if they asked for the credit in a business-like way. The best way for a farmer to find out if he is entitled to cash credit is by presenting a summary of his inventory. Such a summary is a credit statement. The banker is responsible for the money which he lends and he is entitled to the information about a borrower's business which a credit statement gives. Likewise, the farmer is entitled to the better credit standing which a credit statement gives him.

A Grand and Glorious Feeling

Isn't it a grand and glorious feeling when you have to buy a new mowing machine or plow to be able to say, "How much for cash?" A credit statement of your farm business filed at your bank or production credit association will put you in better position to take advantage of cash discounts.

Footprints on the Sands of Time

One of the surest ways to impress your banker is to let a note or two go to protest or to overdraw your checking account. A better time to arrange for renewing a note is about 10 days before it is due rather than the day after you get a protest notice.

Bankers Worry Also

If you get to thinking too much about your own troubles and wish you could trade places with your banker, just drop in and see him and ask him to tell you about bank loan inspections.

"IT PAYS TO KNOW THE FACTS -- TAKE A FARM INVENTORY"

Note: Most of this material on pages 9 through 11 is taken from statements by Dr. V. B. Hart, New York State College of Agriculture.

PITHY PARAGRAPHS

A Few Hours' Time - A Farm Inventory Taken

More and more farmers are finding out that half a day invested during the month of January in taking an inventory and making out a credit statement is worth many times the hours spent during the year in wondering whether or not one is really getting ahead financially. The name, "inventory", may sound a little like bookkeeping, but any farmer who has taken an inventory of his farm business knows that bookkeeping does not enter into the job.

Not a Long Job

Most of us have at some time or other decided that we should keep more accurate accounts of our personal or business affairs; and most of us have seen the nicely started records and accounts go by the wayside as work piled up and our enthusiasm waned. The fortunate thing about taking an inventory is that you will have the job all done before you lose your enthusiasm for doing it.

New Year's Resolutions

If you make a resolution on New Year's morning that you will take an inventory of your farm business and go to church every Sunday in the year, you can start keeping one resolution on that same day -- you can take your inventory that very afternoon. Then on the following Sundays you can listen to the minister without thinking about "a job that ought to be done." Also you won't have the old excuse for the wife "that you can't go to church because you have to catch up on your accounts."

Keeping out of the Ditch

Farming without an inventory is like driving a car without lights. You can't see the ditch until you are in it. It isn't pessimism but just good judgment to use lights on a car. An inventory will turn the lights on your farm business so that you can see whether you are headed toward the financial ditch.

Inventory Time - The Story in Rhyme

1. Barns, feed, and cattle,
Good bottom land,
Bills, notes, and mortgage,
Where do you stand?

(Answer) Inventory.

2. Fields they're well tended,
Hogs they're well fed,
Year filled with effort,
Are you ahead?

(Answer) Inventory.

3. No business records,
Can't find the leak,
No financial statement,
Credit is weak.

(Answer) Inventory.

4. Fine insured property,
Fire, how it hissed,
Cold-hearted adjustor,
Oh, for that list.

(Answer) Inventory.

- STOP - LOOK - LIST -

What you own and what you owe .

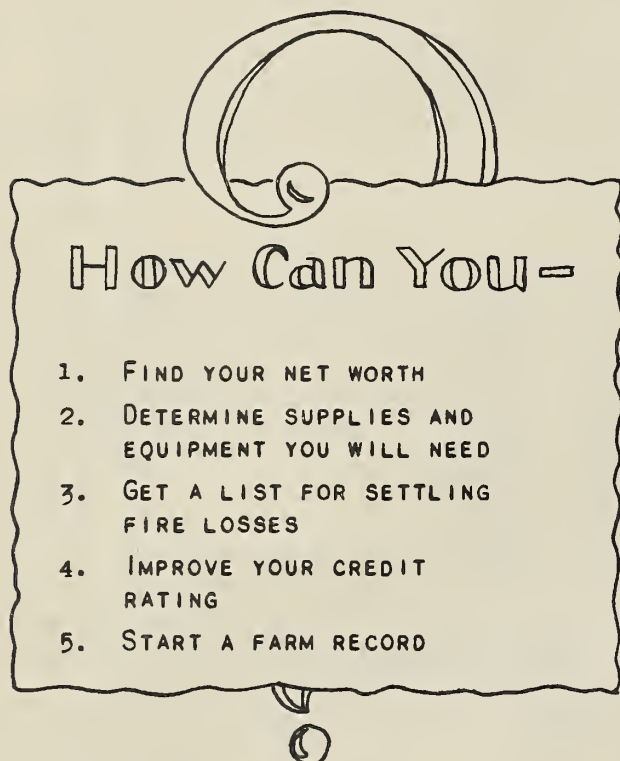
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Chart Demonstration of the Use of Farm Records for Credit Purpose

On the basis of collateral alone Farmer X would be a better credit risk than Farmer Y. The distribution of his debt however would make X the less desirable borrower of short-term credit. The difference in income shows Y to have more than twice the paying ability of X. He can be out of debt long before X. The difference in income on these two farms was caused by a difference in livestock efficiency. Local cases could be selected to show similar income differences based on size of business or other factors.

SUGGESTED CARTOON LETTER ON FARM INVENTORIES



Dear Mr. Farmer:

This is the time of year when almost all lines of business "take stock". As you know it is one of the best times to figure up where you are financially and make your plans for the coming year. One of the easiest and most effective ways of doing this is to take an inventory.

Inventory is a long word, but taking one is a short job. In half-a-day you can make this list

of what you own and what you owe. Isn't that just the idea for a New Year's resolution, you only do the job once a year? Perhaps that's why many farmers take inventory in January.

You can make your inventory with only a pencil, paper and a little work, but the work is cut down by using a prepared form. This is found in the AAA farm record book, and we have a supply on hand. Ask for your copy.

Yours truly,

County Agent

SUGGESTED INVENTORY INSERTS TO PRINT ON MIMEOGRAPH

A Bank Account is Not Enough-

It doesn't show your net worth because it cannot show the value of your property. An inventory, which is simply and quickly made, shows you your net worth. It also shows you what feed, equipment, and supplies you will need during the year. It provides you with a valuable list for use in settling fire losses and helps you improve your credit rating. You will want to know more about this easy way of checking up on what you own and what you owe.

ASK THE COUNTY AGENT FOR A FARM INVENTORY FORM

It's Easier to Borrow When-

Yes, its easier to borrow when you have a credit statement, if you have made a farm inventory, its easy to prepare a credit statement, which is a summary of your inventory plus such items as insurance on buildings, assessed value of property, life insurance, etc. A farm inventory also shows your net worth, helps you determine the supplies and equipment you will need, and provides you with a list for settling fire losses. It is made quickly and easily.

ASK THE COUNTY AGENT FOR A FARM INVENTORY FORM

Will the Year Make You Richer?

A few hours spent in making a farm inventory may help make your next year more successful. An inventory helps you to strengthen your budget plans, improves your credit rating, and protects you against insurance losses. Next year, when you make another inventory, a comparison of the two will show you the changes in your net worth. It is simply and quickly made.

ASK THE COUNTY AGENT FOR A FARM INVENTORY FORM

SUGGESTED INVENTORY POSTERS

**Farm
Inventory
Week**

**January
6-11**

Your County Agent has a
Form that Makes it Easy

**INVENTORY
TIME..**
for
Farmers

Your County Agent has a
Form that Makes it Easy

**WHAT
ARE YOU
WORTH?**

A Farm Inventory
Gives You the
Answer

Get a Form from the
County Agent

How's Your
**Credit
Rating ?**

A Farm Inventory
helps you
improve it

Get a Form from the
County Agent

